



SACHI A. HAMAI  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

October 18, 2016

21 October 18, 2016

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

LORI GLASGOW  
EXECUTIVE OFFICER

Dear Supervisors:

SET FOR HEARING: NOVEMBER 22, 2016

**APPROVE A TRANSFER OF EXISTING WATER PIPELINE FRANCHISE RIGHTS;  
INTRODUCE AND SCHEDULE FOR ADOPTION AN ORDINANCE TO AMEND  
AN EXISTING WATER PIPELINE FRANCHISE; APPROVE A RESOLUTION OF INTENTION;  
INTRODUCE AND SCHEDULE FOR ADOPTION AT A PUBLIC HEARING  
AN ORDINANCE TO GRANT A WATER PIPELINE FRANCHISE  
(FIRST AND FOURTH DISTRICTS)  
(3 VOTES)**

### SUBJECT

Approve a transfer of a portion of the existing water pipeline franchise rights granted to California Domestic Water Company by Ordinance No. 2010-0028F, in the La Habra Heights and Rowland Heights unincorporated areas, to La Habra Utility Authority; introduce and schedule for adoption an ordinance to amend the California Domestic Water Company franchise, to reflect the transfer of franchise rights to La Habra Utility Authority, and make other minor revisions to the franchise; and approve a Resolution of Intention, introduce and schedule a public hearing for the adoption of an ordinance to grant La Habra Utility Authority a 15-year water pipeline franchise on a gratis basis.

### **IT IS RECOMMENDED THAT THE BOARD:**

1. Find that this action is categorically exempt under the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section 15301 (Existing Facilities) of the State of California Guidelines for the implementation of the California Environmental Quality Act.

2. Approve a transfer of a portion of the existing water pipeline franchise rights granted to California Domestic Water Company by Ordinance No. 2010-0028F, in the La Habra Heights and the Rowland Heights unincorporated areas (existing franchise areas Part C and Part D), to La Habra Utility Authority.
3. Approve the introduction and place on the Board's agenda for adoption on October 25, 2016, the accompanying ordinance that amends the franchise granted to California Domestic Water Company by Ordinance No. 2010-0028F, to reflect the above transfer of franchise rights to La Habra Utility Authority, and to make minor revisions to clarify the terms of the existing franchise.
4. Approve a Resolution of Intention, introduce, waive reading, and place on the Board's agenda for adoption the accompanying ordinance to grant a 15-year water pipeline franchise to La Habra Utility Authority on a gratis basis, setting the matter for a public hearing on November 22, 2016, and requesting the Executive Officer of the Board of Supervisors to publish a notice of the public hearing pursuant to Section 6232 of the California Public Utilities Code.

AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT THE BOARD:

Adopt the accompanying ordinance to grant La Habra Utility Authority a 15-year water pipeline franchise on a gratis basis in the La Habra Heights and Rowland Heights unincorporated areas, becoming effective 30 days after adoption thereof.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of these recommended actions is to facilitate uninterrupted water service in the unincorporated areas of La Habra Heights and Rowland Heights, by transferring and granting franchise rights to La Habra Utility Authority (Authority). The Authority acquired the water mains from California Domestic Water Company (Cal-Domestic) that supplied the water to these areas.

The pipelines that Cal-Domestic sold to the Authority are maintained and operated in Los Angeles County highways by franchise rights granted to Cal-Domestic. This sale requires approval by the Board of Supervisors under the terms and conditions for transfers and assignments in Los Angeles County Highway Code (Title 16, Section 16.52.140), and the terms in the Cal-Domestic franchise (Section 6).

These actions will transfer to the Authority a portion of the water pipeline franchise rights granted to Cal-Domestic in the La Habra Heights and Rowland Heights unincorporated areas; approve and schedule for adoption an ordinance to amend the Cal-Domestic franchise to transfer the franchise rights to the Authority; make minor revisions to clarify the terms in the Cal-Domestic franchise; approve a Resolution of Intention, introduce, and schedule for adoption at a public hearing, an ordinance to grant a water pipeline franchise to the Authority; and publish a notice of the hearing pursuant to California Public Utilities Code (Section 6232).

#### **Implementation of Strategic Plan Goals**

The Countywide Strategic Plan Goal of Operational Effectiveness/Fiscal Sustainability (Goal1) directs that we maximize the effectiveness of processes, structure, operations, and strong fiscal management to support timely delivery of customer-oriented and efficient public services.

Transferring a portion of the Cal-Domestic franchise rights and granting the Authority a water pipeline franchise is consistent with this goal.

### **FISCAL IMPACT/FINANCING**

Cal-Domestic was granted franchise rights in four unincorporated areas and pays the County of Los Angeles (County) annual fees based upon the category of the pipelines it operates in County highways. Cal-Domestic operates major water transmission pipelines that pass through franchise areas Part A and Part B without delivering water to any retail customers, and operates water distribution pipeline systems that provide water service to retail customers in franchise areas Part C and Part D.

Cal-Domestic has paid the County a one-time fee of \$5,000 to process an ordinance to amend the Cal-Domestic franchise. Upon approval, the Authority will not be responsible for payment of any granting fee, annual franchise fee, or other fee for the grant of, or the exercise of, its rights under the franchise.

Given the Authority is a component of a public agency (the City of La Habra), and the foreseeable public benefits identified below, the recommendation is for the Board of Supervisors (Board) to approve the transfer of Cal-Domestic's franchise rights in areas Part C and Part D to the Authority, and grant the Authority a gratis franchise without requirements for paying any granting fee or annual franchise fee, and without providing a performance bond or proof of insurance. Historically, County franchises granted to public agencies have been gratis.

#### **Franchise Areas Part A and Part B**

Cal-Domestic operates a major water pipeline transmission system in County highways (48-inch and 54-inch "M" pipeline), that pass through the unincorporated areas of Northwest Whittier/Hacienda Heights (Part A), and Avocado Heights/Basset (Part B). For "pass-through" rights to operate these transmission pipelines, Cal-Domestic pays the County an annual franchise fee based upon the diameter and length of these proprietary pipelines, calculated using the linear footage rates in County Highway Code (Section 16.52.200.C), adjusted upward annually by the Producer Price Index. Cal-Domestic paid an adjusted annual fee of \$13,085 for the 2015 calendar year.

#### **Franchise Areas Part C and Part D**

Cal-Domestic's pipeline distribution systems in County highways distribute water to 219 total retail customers in the unincorporated areas of La Habra Heights (Part C), and Rowland Heights (Part D). For these franchise rights being transferred, Cal-Domestic paid the County an annual fee of two percent of the gross annual receipts from the use (operation or possession) of the franchise, but not less than one percent from the sale of water in these areas. For 2014, the last year Cal-Domestic reported water sales in these areas (\$192,696), Cal-Domestic paid an annual franchise fee of \$3,853.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

### **Cal-Domestic**

Cal-Domestic is successor to East Whittier Land and Water Company, founded in 1889 to deliver water to areas that later became the cities of Whittier, La Mirada, La Habra, and Brea. Cal-Domestic incorporated in 1902 as a nonprofit, mutual-benefit corporation organized to sell water only to its shareholders at or near cost. Both companies have held County franchises dating back to 1912 and 1914. In June 2010, the Board adopted Ordinance No. 2010-0028F, granting Cal-Domestic a 15-year water pipeline franchise, that became operative in July 2010 and will expire in July 2025.

Cal-Domestic's distribution pipelines in County highways serve retail customers in two unincorporated areas (Part C: La Habra Heights, and Part D: Rowland Heights). But Cal-Domestic is primarily a water wholesaler that sells 97 percent of its water to cities and major shareholders, which is transported from its Basset water well field, reservoir, and treatment plant (near the Interstate 10 and 605 Freeway intersection). These major water transmission pipelines in County highways pass through unincorporated areas (Part A: Avocado Heights/Basset, and Part B Northwest Whittier/Hacienda Heights) without serving any customers. The Authority is also acquiring Cal-Domestic's reservoirs, pumping stations and pipeline systems in Orange County.

### **The Authority**

In January 2007, the City of La Habra (City), formed the Authority pursuant to California Government Code (Section 6500, et seq.), by approving a Joint Exercise of Powers Agreement (JPA) between the City and its Redevelopment Agency (RDA). In July 2007, the City approved leases and management agreements for the Authority to manage the City's water and sewer systems, assume all assets and liabilities of the funds, and pay the City lease payments. The Authority establishes rates, purchases and sells water, establishes and executes improvement plans, and performs water and utility system maintenance. The City Council serves as its Board.

The Authority was comprised of the City and its RDA until a California Assembly Bill was approved in June 2011 (ABx1 26), which required the dissolution of RDAs. The City became "Successor Agency", dissolved its RDA, and in March 2012, amended the Authority's JPA to add the La Habra Housing Authority as a member.

### **Pipeline Distribution System Transfer**

Cal-Domestic distributes water to customers in two unincorporated neighborhoods that lie along the Orange County boundary. These water pipeline distribution systems must exit the County and enter the City along its westerly boundary, then exit the City and reenter the County along its south boundary, in order to serve 219 retail customers in these areas (215 in Part C: La Habra Heights, and 4 in Part D: Rowland Heights).

Cal-Domestic made a business decision to cease its retail water service and asked an adjacent water purveyor, La Habra Heights County Water District (LH-CWD), to acquire the rights to serve these customers. In December 2013, LH-CWD declined the offer, and Cal-Domestic entered into a memorandum of understanding (MOU) for the Authority to acquire these pipeline systems and the rights to serve these customers.

The Authority's 2007 Water Master Plan identified system consolidation and pump station construction (\$9 million), needed to improve its system reliability and firefighting capability, whether or not it acquired Cal-Domestic's systems. Based upon the MOU and a hydraulic analysis, Cal-Domestic agreed to pay to upgrade its systems being acquired by the Authority (\$1 million), for pipeline relocations and water main upgrades, needed to access repairs and perform maintenance to meet fire-suppression standards.

The customers of Cal-Domestic and the Authority will benefit from the MOU by receiving needed water main upgrades and increased fire-suppression capability. The Authority will benefit from increased water sales; efficiencies from integrating the overall operation of the two systems; and other system enhancements from Cal-Domestic's contribution.

#### MOU Addendum, LAFCO and Transfer of Rights

A March 2015 First Addendum to the MOU states the agreement was conditioned upon obtaining any required government approvals, including the Local Agency Formation Commission (LAFCO) of Los Angeles and Orange Counties. At its September 2014 meeting, Los Angeles County LAFCO approved an exemption to its approval pursuant to California Government Code (Section 56133(e)), allowing the Authority to provide water service to the properties of Cal-Domestic's shareholders in the County.

Cal-Domestic's water distribution rights in the County transferred to the Authority on the March 2015 date of the First Addendum, and the distribution facilities were transferred by Bill of Sale with a 25 percent payment for upgrades to those systems (\$250,000). County easement rights were conveyed to the Authority by deeds recorded in April 2015, and the balance of payment for upgrades to the distribution systems in Orange County (\$750,000), remains in escrow pending approval by Orange County LAFCO.

Cal-Domestic's shareholders in the County were notified of the ownership change and advised of their right to either sell their shares to Cal-Domestic and become a customer of the Authority (with those shares being made available to other major shareholders), or retain their shares and be billed for water by Cal-Domestic, with the Authority acting as water provider to Cal-Domestic that will bill customers for their water usage. Of the 219 shareholder, 79 sold their shares, and 139 retained their shares.

Consolidated Fire Protection District of Los Angeles County (District) provides fire protection, emergency medical and related services to these two La Habra Heights and Rowland Heights unincorporated areas. In June 2004, LAFCO approved an exemption allowing the District to provide these services to the City under an out-of-agency contract that has been extended to February 2025.

The County's Department of Public Works has reviewed this recommendation and expressed no objection. County Counsel has reviewed and approved as to form the ordinance to amend the Cal-Domestic franchise, and reviewed and approved the Resolution of Intention and ordinance to grant the Authority a franchise.

**ENVIRONMENTAL DOCUMENTATION**

This project is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

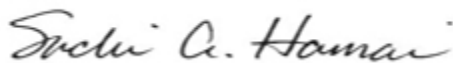
**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

This project will not negatively impact or affect current services or future projects.

**CONCLUSION**

It is requested that the Executive Officer, Board of Supervisors, return a certified copy of this adopted recommendation and both certified ordinances Attention: Mr. Jim Byerrum, President, California Domestic Water Company, 15505 Whittier Boulevard, Whittier, CA 90603; and Attention: Mr. Elias Saykali, Director of Public Works, City of La Habra, 201 East La Habra Boulevard, La Habra, CA 90633; and the offices of the Department of Public Works and the Chief Executive Office, Real Estate Division.

Respectfully submitted,



SACHI A. HAMAI  
Chief Executive Officer

SAH:DPH:CMM  
KW:RB:ls

Enclosures

c: Executive Office, Board of Supervisors  
County Counsel  
Public Works

## **RESOLUTION OF INTENTION TO GRANT A 15-YEAR WATER PIPELINE FRANCHISE TO LA HABRA UTILITY AUTHORITY**

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles, State of California:

A. La Habra Utility Authority, a Joint Powers Authority formed pursuant to California Government Code (Section 6500 *et seq.*), ("Franchisee"), has agreed to enter into a water pipeline franchise with the Board of Supervisors of the County of Los Angeles, State of California, for a period of fifteen (15) years, beginning on the effective date of the Ordinance granting the franchise, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, and remove or abandon in place, pipes and pipelines for the transportation and distribution of water, waste water, mud, and other liquid substances, including those substances that are generally accepted as appropriate for the treatment of water, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. § 9601 *et seq.*, and amendments thereto (provided, however, that this exclusion shall not apply to substances in such amounts as are generally accepted as appropriate for the treatment of water), together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, adjunct communications lines, including poles, conduits, wire, cables, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for the Franchisee's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use in the unincorporated territory of the County of Los Angeles, State of California, located within the La Habra Heights unincorporated area, and the Rowland Heights unincorporated area, as described in the proposed Ordinance to grant the franchise, attached hereto and depicted on the exhibit maps attached to the Ordinance.

B. It is the intention of the Board of Supervisors of the County of Los Angeles, State of California, to grant the franchise applied for upon the terms and conditions herein mentioned. The franchise is to be granted without the payment of any insurance, performance bond, granting fee, toll or franchise fee whatever, except for the compliance by the Franchisee and by its successors and assigns with all of the remaining terms and conditions thereof.

C. The franchise is described in the Ordinance attached hereto and is a franchise for water transportation and distribution purposes.

D. That on the 22<sup>nd</sup> day of November, 2016, at the hour of 9:30 a.m. of said day, a day not less than twenty (20) nor more than sixty (60) days after the date of the passage of this Resolution of Intention, in the hearing room of the Board of Supervisors, Room 381, Kenneth Hahn Hall of Administration, 500 West Temple Street (corner of Temple Street and Grand Avenue), Los Angeles, California 90012, all persons having any objection to the granting of the franchise hereinabove described could appear before the Board of Supervisors and be heard thereon.

E. The Executive Officer, Board of Supervisors, shall cause notice of said hearing to be published at least once within fifteen (15) days after adoption of this Resolution of Intention in a newspaper of general circulation published in the County of Los Angeles, State of California.

The foregoing resolution was on the 18<sup>th</sup> day of October, 2016, adopted by the Board of Supervisors of the County of Los Angeles, State of California, and ex-officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



Lori Glasgow, Executive Officer-Clerk  
of the Board of Supervisors of the  
County of Los Angeles

By

Sachelle Amithuman  
Deputy

APPROVED AS TO FORM BY:

MARY C. WICKHAM  
County Counsel

By

Nancy M. Takade

NANCY M. TAKADE  
Principal Deputy County Counsel  
Contracts Division